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July 7, 2003

Chairman Michael Powell
Federal Communications Commission
445 12th Street SW
Room 8-B201
Washington, DC 20554

Re: CC 96-45

Dear Michael,

Thank you for meeting with us on January 23, 2003. It was important for us to convey to you personally the concerns of two rural states, served primarily by non-rural telephone companies that have high costs of service. We also appreciated the opportunity to discuss how NARUC and its members can play a constructive role as the telecommunications markets continue to evolve.

It appears to us that one of the original concepts guiding the implementation of the TelAct, that one economic model can be used to determine both 1) non-rural company universal service costs and 2) network costs for UNE pricing purposes, may no longer be useful or necessary. The two tracks have diverged over time.

Focusing on the universal service cost side of the model, it is clear that the "updating" process has produced certain counterfactual results. Maine and Vermont are demonstrably rural, low density, geographically-challenged states. However, certain model updates described as "technical corrections" or "language translations" make it appear that these states' universal service costs and needs have decreased substantially during the last two years. This "updating" process has a number of negative effects for rural states like Maine and Vermont. The distortion gets worse as non-rural telephone companies modernize their networks and as more customers buy broadband facilities.

We look forward to working with the FCC to find both short and long term solutions to these issues. High cost rural states served by non-rural telephone companies need stable, rational measures of universal service costs and funding support.

We appreciated the time that you took to examine these issues. We will follow up with your staff this week.

Sincerely,

Tom Welch by em
Tom Welch, Chairman
Maine Public Utilities Commission

Michael Dworkin by em
Michael Dworkin, Chairman
Vermont Public Service Board

John Burke by em
John Burke, Board Member
Vermont Public Service Board

cc: Chris Libertelli